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**ARIZONA CORPORATION COMMISSION**

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January 18, 2006

Mr. Jack Davis  
President and CEO  
Arizona Public Service  
400 East Van Buren  
Phoenix, AZ 85004

**Re: Staff's Investigation of the Frequency of Unplanned Outages at Palo Verde Nuclear Generating Station, Docket No. E-01345A-05-0826.**

Dear Mr. Davis:

I am concerned over recent information related to the operations at PVNGS. Is it correct that PVNGS Unit 1 has not run at more than 32% power for nearly four weeks? Please confirm the accuracy of this, and if it is incorrect in some way, please explain in detail the status of Unit 1 operations at present and over the past two months up to and including the date of your response. In addition, what is the daily financial impact to APS of Unit 1 operating at the decreased percentage of power (whether it is 32% or some other percentage you have identified in your answer to my first question), as well as the impact from the total shut down of Unit 1 yesterday. During the current outage and capacity turn-down, has APS been forced to purchase power on the open market, and has it lost out on off-system sales that it normally would have been able to make had PVNGS Unit 1 been operating at full capacity? Additionally, please provide the Commission a record of the wholesale sales associated with Unit 1 during the months of December and January for the past five years.

Is it correct that the decrease in power from Unit 1 is due to excessive vibration in piping, and this problem of excessive vibration has been identified for more than five years? Please confirm the accuracy of this, and if it is incorrect in some way, please explain in detail why this is inaccurate.

Is it correct that the installation of larger steam generators during a recent refueling outage may have aggravated the vibration problem because of the increased force from the larger steam generators? Please confirm the accuracy of this, and if it is incorrect in some way, please explain in detail why this is inaccurate.

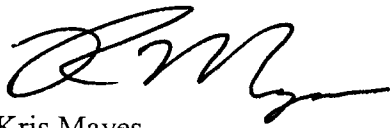
In addition, please provide the number of times and the length of outages for Palo Verde units in 2005 through the present time. Your response should include whether the outage was planned or unplanned. If planned, please provide the length of time that was planned for the outage and the actual length of time for the outage.

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If there is a financial impact associated with this latest outage and the preceding limitation on Unit 1's operating capacity, I am requesting that once again any costs associated with this operating condition be segregated out from the Company's adjustor mechanism for prudence review and possible consideration for exclusion from recovery from ratepayers if found to be imprudent. If APS has known of this problem for some time and could have resolved the problem prior to the implementation of the new steam generators, this information would be of particular concern to me.

I would appreciate timely docketed responses to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Mayes', with a stylized flourish at the end.

Kris Mayes  
Commissioner

cc: Chairman Jeff Hatch-Miller  
Commissioner William A. Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
Ernest Johnson  
Brian McNeil  
Heather Murphy  
Docket